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SUBJECT: Mofcom DG Wang discusses Steel Dialogue with AUSTR
Stratford

SUMMARY

1. (SBU) Ministry of Commerce (Mofcom) Director General for Foreign Trade Wang Shouwen met with AUSTR Timothy Stratford in Beijing on July 14 to discuss plans for the next U.S.-China Steel Dialogue. Wang and Stratford agreed that the Dialogue will include discussion of the competitiveness of the steel industry in both economies. Stratford proposed that the Dialogue take place the week of September 8 and encouraged the inclusion of labor and environmental issues in the official agenda. He also proposed that the PC strand industry participate in the Dialogue, pointing out that the Chinese regard PC strand as a steel product itself. Wang agreed to discuss the above points with the relevant government authorities and the Chinese steel industry.

Dates and agenda for Steel Dialogue still under review

2. (SBU) Following up on a prior exchange of letters, AUSTR Stratford and DG Wang discussed possible dates and agenda items for the upcoming Steel Dialogue. Stratford proposed holding the Dialogue the week of September 8, and mentioned that the weeks of October 13 and 20 may also work for the U.S. side. Wang replied that he will discuss these dates with industry and provide a response to USTR soon.

3. (SBU) Turning to the agenda, Stratford noted that both sides had already agreed to discuss the competitiveness of the steel industry in the U.S. and China. Stratford asked Wang to reconsider adding labor and environmental issues to the list of topics addressed in the Dialogue. (Note: In previous meetings and in written correspondence, Wang argued that these topics should not be included in the Steel Dialogue, as labor and climate change dialogue mechanisms have already been established between relevant counterpart departments of the two governments. End note.) Stratford pointed out that the U.S. understands China's request to include trade remedy issues that are unique to the steel industry in the Dialogue. By the same logic, he explained, there are certain labor and environmental issues that apply uniquely to the steel industry and the Steel Dialogue provides an appropriate channel for discussing these specific issues.

4. (SBU) Wang responded that it is not appropriate to discuss environmental or labor issues in the Steel Dialogue, noting that Chinese environmental protection and labor ministries should be in the lead on these topics. He stated that the first Steel Dialogue

came about as a result of a Section 421 petition, so trade remedies should continue to be included in the agenda. Stratford agreed that trade remedies should stay on agenda, and pointed out that labor played a major role in the 421 petition that prompted the Steel Dialogue. He explained that although USTR is not the lead U.S. agency on labor or environmental issues, it is authorized to discuss these issues in the broader context of trade. He asked Wang whether it would be possible to carve out a space to discuss these issues on the sidelines of the Dialogue if not on the primary agenda. Wang replied that the Embassy should request these meetings and said that he would ask Mofcom's North American Affairs Department to follow up on the request.

PC strand industry participation to be determined

15. (SBU) Stratford referred to a letter he received in late June from Wang, which came in response to an earlier request by USTR that the Dialogue include the PC strand industry as a representative of downstream industries. Stratford pointed out that, according to Wang's letter, China considered PC strand to be a steel product itself, so it could not represent the downstream industry in the Steel Dialogue. Stratford stated that if China considers PC strand to be a steel product, then it makes sense for the PC strand industry to participate in the Dialogue as a member of the steel industry. Wang replied that while he does not oppose the participation of the PC strand industry, Chinese steel producers may oppose it. He agreed to follow up with the Chinese steel industry on this issue.

Mofcom concerned about poultry issues

16. (SBU) Wang raised concerns regarding certain restrictions on poultry trade between the U.S. and China. Stratford told Wang that

the U.S. and China share common interests in resolving poultry issues and said that USTR welcomed the recent visit of a Chinese delegation that visited Washington to discuss this issue. Wang agreed that this was a positive development and further underscored Mofcom's concerns about poultry issues.

Mofcom inquires about textile transshipment quotas

17. (SBU) DG Wang raised concerns about a recent U.S. Customs decision regarding transshipment of Chinese textiles through other countries to the United States in 2006-2007. DG Wang noted that, if indeed there were transshipments, the volume amount of quota involved in the transshipments should be counted against the 2006-2007 textile quotas and not the current 2008 quotas under the U.S. - China Textile Agreement. Stratford noted that USTR's Special Textile Negotiator, Scott Quesenberry, was handling this matter and has been in communication with Minister Counselor for Economic and Commercial Affairs Dai at the Chinese Embassy in Washington.

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